In the Matter of:	)	
	)	
Implementation of the Local Competition	)	**CC Docket No. 96-98**
Provisions in the Telecommunications Act	)	
of 1996	)	
	)	
Interconnection between Local Exchange	)	**CC Docket No. 95-185**
Carriers and Commercial Mobile Radio	)	
Service Providers	)	

DECLARATION OF SHERRY LICHTENBERG
on Behalf of MCI WORLDCOM, Inc.

Based on my personal knowledge and on information learned in the course of my

business duties, I, Sherry Lichtenberg, declare as follows:

1.   My name is Sherry Lichtenberg. I am Senior Manager, Product

Development, for MCI WORLDCOM, Inc. ("MCI WorldCom"). My duties include designing,

managing and implementing MCI WorldCom's provision of local telecommunications services

for residential and small business customers on a mass market basis nationwide.

2.   I have reviewed the comments of the several incumbent local exchange

carriers ("ILECs"), including their claims that the availability of a laundry list of network

elements on a stand-alone basis means that restricting access to most ILEC elements will not

impair competitive local exchange carriers ("CLECs") ability to compete. The purpose of my

declaration is to explain why those claims are incorrect.

3.   Contrary to the ILECs' assertions, MCI WorldCom and other CLECs

cannot provide local telecommunications services in competition with the ILECs simply because,

in some instances, they are able to self-provision stand-alone network elements, or can obtain stand-alone elements from other CLECs.[1] With negligible exceptions nationwide, the limited availability of non-ILEC stand-alone network elements does not mean that CLECs can use these elements in combination with ILEC elements, or ubiquitously serve all customers in all areas. Moreover, in many locations around the country, it is not feasible or even possible for CLECs to self-provision elements, and no effective wholesale market exists anywhere in the country for non-ILEC network elements sufficient to supply efficiently the inputs needed to provide ubiquitous local service to all types of customers.

4.   MCI WorldCom can use network elements to provide local service only if those elements can be efficiently connected to one another. If those elements cannot be connected in a timely, cost-effective and reliable manner, then even if MCI WorldCom has access to those elements, it cannot competitively offer local telecommunications services. Therefore, the availability of a catalogue of stand-alone alternatives -- either self-provisioned by MCI WorldCom or provided by another CLEC -- does not mean that these alternatives are practically available to MCI WorldCom for the actual provision of local service.

5.   For example, although MCI WorldCom deploys switches in many urban markets, it is able to use those facilities along with ILEC loops to provide local service for a variety of costing and provisioning reasons. First, it is not feasible for MCI WorldCom to

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[1]   This does not mean, of course, that MCI WorldCom requires access to ILEC network elements in every instance. Indeed, MCI WorldCom has a strong desire and incentive to deploy and use its own facilities, and it provides local service exclusively over its own facilities whenever it is feasible. The ILECs are MCI WorldCom's primary (and dominant) competitors, and it is, therefore, bad business for MCI WorldCom to rely exclusively on the ILECs in order to do business. MCI WorldCom's overall business plan is to minimize reliance on ILECs by making substantial investments in its own facilities whenever practical.

collocate at some central offices due to space or other restrictions, and, as a result, MCI WorldCom is only able to collocate in a small fraction of the thousands of ILEC central offices.[2] Therefore, MCI WorldCom will continue to require access to the ILECs' switches in order to provide ubiquitous local service in that market.

6.   Second, even where collocation space is available at an ILEC end office, the cost of collocation may render service provided through collocated facilities unprofitable, and the time needed to establish collocation may substantially delay the advent of competition. Third, even if MCI WorldCom was able profitably to collocate ubiquitously in every end office where it needs to get access to loops, the ILECs simply do not have the systems in place today to connect their unbundled loops in any particular end office (let alone in many or most of their end offices) to MCI WorldCom's network in a seamless, timely, cost-effective and reliable fashion. At the end of the day, MCI WorldCom will not be able to offer competitive service if the process of switching customers from the ILEC to MCI WorldCom is not almost transparent to the customer -- as it is today with long distance. As a result, using ILEC loops with MCI

2/   Lack of collocation space will also prevent CLECs from providing ubiquitous Digital Subscriber Loop (DSL) service using their own DSLAMs. In cases where DSL is provided over loops incorporating Integrated Digital Loop Carrier (IDLC) systems, the DSLAM must be located at the remote terminal to which the customer's loop connects. At these remote terminals, there are significant space constraints, and at most remote terminals only one or two DSLAMs can typically be collocated. And the process of installing DSLAMs in thousands of remote terminals is an inevitably protracted process. Thus, if CLECs do not have access to the ILEC's DSLAM, they will not be able to serve, as promptly as possible if at all, those customers whose loops are provisioned over IDLC. And even where customers are served by homerun copper loops and the DSLAM can be located at the ILEC central office, CLECs may still have difficulty providing DSL services using their own DSLAMs at small or overcrowded central offices that lack collocation space. Indeed, CLECs have, for the most part, been able to use their own DSLAMs to provide DSL only in large end offices where sufficient collocation space is available.

WorldCom's own switching for a mass markets application will not be practical at least until the ILECs develop systems to cross-connect loops to MCI WorldCom's switching more effectively.

7.   The ILECs typically claim that it takes 30 minutes to perform each manual cross-connect required when a CLEC wishes to interconnect its own switch with ILEC loops at the ILEC end office. Given that an ILEC will likely receive hundreds, if not thousands, of orders a day when MCI WorldCom offers facilities-based local service to the mass market (residential and small business customers), the ILEC will be unable to provision every order on a timely basis when it must perform a manual cross-connect for each order.[3] No ILEC has developed the internal processes that would enable them to perform these manual activities in large volumes.

8.   MCI WorldCom's experiences in New York provide an excellent example of where MCI WorldCom tried to use its own self-provisioned switching element in conjunction with ILEC elements, but was unable to do so because of Bell Atlantic's inability to connect the elements in a timely, cost-effective and reliable fashion. MCI WorldCom's intent in New York has been to provide facilities-based local service to large numbers of residential and small business customers by using its own switches and leasing unbundled loops from Bell Atlantic. Before embarking on a large scale mass markets offering of facilities-based local service in New York, MCI WorldCom tested on a trial basis, during the spring and summer of 1998, whether providing service using its own switches and Bell Atlantic's loops was practical in key New York locations. MCI WorldCom's experience during this trial showed that a facilities-based

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3/   With its UNE-platform offering in New York, MCI WorldCom is receiving approximately one thousands new order per day, and expects this number to increase dramatically. Bell Atlantic would never be able to handle this many cut overs if it had to do a manual cross-connect for every order. Indeed, one of the things that makes mass markets service through the UNE-platform possible in New York is that when ordering a loop-port combination, there is no need to cross-connect loops to switches.

mass markets local service offering in New York, even on a limited scale, is not practical and that MCI WorldCom must have access to Bell Atlantic's loops and switches in combination in order to effectively compete with Bell Atlantic for large numbers of mass market customers.

9.   MCI WorldCom's trial offering in New York was limited to 33 residential customers located in Manhattan and White Plains. MCI WorldCom offered a new second line service with features comparable to those provided by Bell Atlantic, including call-waiting, caller ID, call forwarding and three-way calling.[4/] Of the 33 residential second line orders placed by MCI WorldCom, only six, or 19 percent, were installed successfully by Bell Atlantic (which means that Bell Atlantic technicians arrived at the appointed time and established connectivity to the central office). In other words, Bell Atlantic failed to deliver working loops on time in response to 81 percent of the orders placed during the trial -- even though the trial was limited to such a small number of loops.

10.   The problems experienced by MCI WorldCom and its customers were numerous and varied. In some cases Bell Atlantic failed to provide service within a designated time interval or missed installation appointments entirely. In two instances, Bell Atlantic improperly routed loops, which resulted in the customer being unable to place a local call properly and the customer being improperly billed. In two other cases, Bell Atlantic installed defective cable pairs between the customer's home and the nearest Bell Atlantic end office, rendering Bell Atlantic unable to provide second line service to the customer. Finally, on a

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4/   When MCI WorldCom planned this trial, it determined that its offering should be limited to second lines to ensure that participants did not risk losing telephone service entirely. Given the results of the trial, it is good thing MCI WorldCom took this precaution.

number of occasions, MCI WorldCom customers lost service following Bell Atlantic's installation of unbundled loops for periods ranging from one week to a month.

11.   Given Bell Atlantic's failures provisioning such a small quantity of loops, it was reasonable to assume that Bell Atlantic was unable to provide access to unbundled loops in significant quantities and on a timely basis. As a result, MCI WorldCom put on hold its plans to provide facilities-based service to mass markets customers in New York and instead decided to provide service throughout New York using Bell Atlantic's UNE-platform, a service offer in which Bell Atlantic is not called upon to disturb an already working connection between the loops and the Bell Atlantic switch.

12.   Bell Atlantic's continuing inability to provision unbundled loops when CLECs use their own switches has been documented by third-party testing currently being performed in New York by KPMG, under the auspices of the New York Public Service Commission. Bell Atlantic is widely recognized to be among the leaders in developing the OSS and other capabilities needed to provision unbundled elements. Yet KPMG has documented Bell Atlantic's inability to perform the requisite provisioning.

13.   The Draft Final Report, posted on June 1, 1999, lists many deficiencies. Though some were first identified more than six months ago, they still exist today. Here are a few of the problems identified:

- As of March 15, 1999, KPMG uncovered a failure by Bell Atlantic to consistently follow the established "Hot-Cut" coordination procedures. Of the order transactions processed and provisioned as part of the EDI functional evaluation, Bell Atlantic complied with its documented procedures regarding hot-cut notification less than 60% of the time. According to the KPMG impact assessment: "CLEC customers undergoing the UNE Loop with LNP Hot Cut Process are vulnerable to any number of service affecting disruptions. BA-NY's [Bell Atlantic-New York] UNE Loop with LNP Hot Cut Processes are designed to minimize service affecting problems in the customer's service at the time of cut-over and to verify that a customer's service has been successfully

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migrated to the CLEC following the cut-over. Failure of the RCCC to ensure strict coordination between all affected parties at the FDT increases the chances that a given subscriber will experience a service disruption. Moreover, failure of BA-NY Frame Technicians to follow established Hot Cut procedures also increases the chances that a given subscriber will experience a service disruption." (KPMG Exception ID 54, at 3, attached hereto as Ex. A)

- In processing and provisioning a CLEC service order, a number of manual and redundant tasks are performed. According to the KPMG impact assessment: "These manual processes and paper based tools are time consuming and prone to error. As demand increases, the coordination process is not sufficiently scalable to maintain service quality. Retyping and reentry of data introduces the risk of data errors, decreases the probability of the order flowing through the provisioning process, and potentially increases the time required to provision the service order. As service demand increases, even a significantly larger staff will not be able to maintain and certainly cannot improve service quality if the underlying process is inefficient." (KPMG Exception ID 8, at 1, attached hereto as Ex. B)

- The provisioning coordination process is documented in Methods and Procedures that are not consistently followed. According to the KPMG impact assessment: "Quality of service is compromised when documented procedures are not followed. The coordination process was developed to ensure that customers do not lose service in the conversion from Bell Atlantic to the CLEC. When the coordinators do not follow the process including the timely notification and contact with the CLEC, confusion, delays, or disconnects in error can result. For example, when the RCCC fails to contact a CLEC for a hot-cut order before the due date, the CLEC may not have a confirmed notification of the provisioning schedule. Consequently, the CLEC cannot pass along order status to its customers, giving the impression of poor quality service by the CLEC. In addition, the CLEC has no opportunity to review order details, such as the cable and pair numbers, loop signaling, etc., with the Coordinator to ensure accuracy. This may result in efforts during the hot-cut." (KPMG Exception ID 9, at 1, attached hereto as Ex. C)

- Bell Atlantic is unable to migrate subscriber loops that are currently served by Integrated Subscriber Loops Carrier systems (integrated to SLCs) to CLEC-provided services. According to the KPMG impact assessment: "CLECs have experienced delays of several days before the type of trouble described in this exception is cleared and the customer's service is restored with BA as the carrier. At this point the CLEC has lost its customer and its reputation as a capable CLEC is potentially damaged with the customer." (KPMG Exception ID 44, at 2, attached hereto as Ex. D)
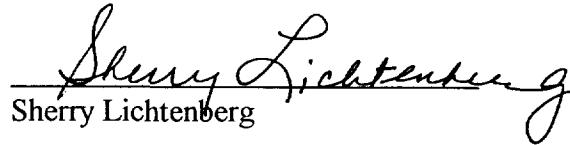
14.   Meanwhile, MCI WorldCom has found similar problems in leasing

unbundled business loops from Bell Atlantic in New York. For example, as recently as April

1999, MCI WorldCom has been unable to secure firm order commitments in a timely manner,

which has left MCI WorldCom unable to track its orders and unable to inform its customers the status of those orders. Also, despite assurances from a Bell Atlantic director that demarcation information would be provided for each installation of new unbundled loops, MCI WorldCom continues to experience situations in which Bell Atlantic technicians leave the job without reporting this critical information to anyone. Customers also continue to have their service disconnected prematurely.

15.   Because MCI WorldCom is unable to provide local service to the mass markets in New York using its own switches and Bell Atlantic's local loops, MCI WorldCom continues to lease Bell Atlantic's loops and switches in combination (as the UNE-platform) in order to serve residential and small business customers in the state. Many of the significant problems experienced by MCI WorldCom in association with ordering unbundled loops from Bell Atlantic do not exist when MCI WorldCom orders the UNE-platform. For example, the service disruptions and installation delays experienced by MCI WorldCom and noted by the KPMG Report with respect to loop cut-overs do not frequently occur when Bell Atlantic provisions an MCI WorldCom customer using UNE-platform because there are no new connections needed between Bell Atlantic's and MCI WorldCom's facilities. Thus, until Bell Atlantic fixes the problems associated with its processing and provisioning of unbundled loops in New York, MCI WorldCom will not be able to provide ubiquitous, cost-efficient and timely local service to customers in New York except through UNE-platform.

I declare, under penalty of perjury, that the foregoing is true and correct.

Executed on June _____10_____, 1999.

_____Sherry Lichtenberg_____
Sherry Lichtenberg

ID:	54
Exception:	Lack of adherence to Established "Hot Cut" Procedures
Domain:	POP
Owner:	Rob McDonald/Steve Sesko
Date Uncovered:	3/15/99

Description:

An exception has been identified as a result of the ongoing POP CLEC testing process. The following exception describes a failure by Bell Atlantic-New York to consistently follow the established "Hot Cut" coordination procedures as outlined in the the Regional CLEC Coordination Center's (RCCC) "RCCC Two Wire Analog Loop -RCCC North" document. Through their failure to follow established procedures, RCCC coordinators also allow irregularities to occur at the Recent Change Memory Administration Center (RCMAC) and various BA-NY Central Offices (CO).

CLECs order UNE Loops with Local Number Portability (LNP) as a coordinated "Hot Cut" to meet two primary customer needs:

1. Seamlessly transition of their customer to a new local exchange carrier without significant outage of telephone service

2. Allowing the customer to retain his/her original telephone number

When working on UNE Loop LNP Hot Cut Orders, the RCCC coordinates a series of tasks performed at the Frame Due Time (FDT) by the BA-NY Recent Change Memory Administration Center (RCMAC), the BA-NY Frame Technician(s), and the CLEC. The RCMAC performs translation updates to the BA-NY switch which disconnect dial-tone to the subscribers loop. The BA-NY Frame Technician removes BA-NY's switch cross-connections from the subscriber's loop and connects the CLEC's switch cross- connections to the subscriber's loop. The CLEC then provides dial-tone to the subscriber's loop. The Hot Cut process should be coordinated to ensure that the transfer of service occurs at the designated FDT and that any service disruption to the subscriber is minimized.

At FDT, safeguards are designed into the process to prevent subscribers from being put out of service as a result of the Hot Cut process. Through observation, KPMG has identified a number of problems associated with the UNE Loop LNP Hot Cut orders at various provisioning work centers and with communication between BA-NY and CLECs. These problems indicate that the process is not well coordinated by the RCCC. These UNE Loop LNP Hot Cut problems include:

- RCCC Coordinators placed the required coordination phone calls to the KPMG "pseudo" CLEC on only just over half of the test transaction orders entered by KPMG and received by BA-NY.
- Frame Technicians removed BA-NY switch cross-connects and replaced them with CLEC switch cross connects before FDT (early cut).
- Frame Technicians removed BA-NY switch cross-connects and replaced them with CLEC switch cross connects after FDT (late cut).
- Frame Technicians removed BA-NY switch cross-connects and replaced them with CLEC switch cross connects at the FDT of an order that had been superceded with a supplemented order specifying a new FDT.
- Frame Technicians removed BA-NY switch cross-connects and replaced with CLEC switch cross connects at the FDT of an order that had been cancelled.
- RCMAC switch administrator removed switch translations at FDT of an order that had been superceded with a supplemented order specifying a new FDT.
- RCMAC switch administrator removed switch translations at FDT of an order that had been cancelled.
- Upon completion of cut-over, acknowledgement by CLEC accepting orders through RCCC was not received.
- Directory Listings dropped for post-migrated orders.

Additionally, KPMG observed specific failures to adhere to established methods and procedures at various BA-NY COs unrelated to the coordination provided by RCCC coordinators. The Frame Technician located at the CO is required to follow an established process when working on a UNE Loop LNP Hot Cut Order at the BA-NY Wire Center. The following problems were identified:

- Testing for dial tone on CLEC switch appearance at Main Distribution Frame (MDF) prior to cut-over of customer's loop was not performed.
- Pre-wiring of new frame jumpers was not "tagged" prior to migration of customer's loop.
- Initial testing for dial tone occurred at Frame Due Time (FDT) instead of 24 - 48 hours earlier.
- Testing for Automatic Number Identification (ANI) on existing BA-NY Office Equipment (OE) at FDT was not performed.
- Conducted cut-overs at time other than scheduled FDT.
- Post cut-over testing for dial tone was not performed.
- Post cut-over testing for ANI was not performed.
- Service Interruptions of less than five (5) minutes was not met.
- Upon completion of cut-over, acknowledgement of customer acceptance through RCCC was not received.
- For cancelled orders, failure of BA-NY systems to notify Frame Technician that orders had been cancelled which led to the Frame Technician conducting

customer disconnect order.

- For supplemented orders specifying a delayed cut-over, failure of BA-NY systems to notify Frame Technician that order had been delayed leading to Frame Technician processing customer disconnect order at time specified on original order.

Impact Assessment: CLEC customers undergoing the UNE Loop with LNP Hot Cut Process are vulnerable to any number of service affecting disruptions. BA-NY's UNE Loop with LNP Hot Cut Processes are designed to minimize service affecting problems in the customer's service at the time of cut-over and to verify that a customer's service has been successfully migrated to the CLEC following the cut-over. Failure of the RCCC to ensure strict coordination between all affected parties at the FDT increases the chances that a given subscriber will experience a service disruption. Moreover, failure of BA-NY Frame Technicians to follow established Hot Cut procedures also increases the chances that a given subscriber will experience a service disruption.

Status: Open

Date Opened: 4/2/99
4/7/99 (Revised)

ID:	8
Exception:	The Provisioning Coordination Process is heavily reliant on manual tasks.
Domain:	POP
Owner:	Carrie Thielemann
Date Uncovered:	10/16/98
Description:	In processing and provisioning a CLEC service order, a number of manual and redundant tasks are performed. These manual and redundant tasks include:

a. re-keying data from DCAS screen prints to SOP;
b. retyping from facsimile LSRs to SOP;
c. manual reentering of data onto bedsheets;
d. manual hand-off of bedsheets to RCCC via messenger service;
e. manual hand-offs and assignments to RCMAC and Frame CO via bedsheets; and
f. manual logging of activities in WFA/C.

For wholesale orders, the customer calls the CLEC, and the CLEC sends the order to BA, either by fax or by entering the data into DCAS. In the TISOC, service orders received by fax are keyed into SOP. Orders can flow from DCAS through to SOP. However, orders which fall out of DCAS are printed and reentered directly into SOP. The reentry of order data increases the time required to enter an order into the provisioning process and increases the probability of errors on the order.

Orders requiring coordination are copied by hand onto bedsheets and these are sent to the RCCC by messenger. When the RCCC receives the bedsheets, the orders are checked and copies of the bedsheets are faxed to the RCMAC and the CO (Frame). As the provisioning coordination progresses, activities for each service order are manually logged on an RCCC Completion Form.

Impact Assessment:	These manual processes and paper based tools are time consuming and prone to error. As demand increases, the coordination process is not sufficiently scalable to maintain service quality. Retyping and reentry of data introduces the risk of data errors, decreases the probability of the order flowing through the provisioning process, and potentially increases the time required to provision the service order. As service demand increases, even a significantly larger staff will not be able to maintain and certainly cannot improve service quality if the underlying process is inefficient.
Status:	Open
Date Opened:	12/4/98

ID:	9
Exception:	The Provisioning Coordination Process is documented in Methods and Procedures which are not consistently followed.
Domain:	POP
Owner:	Carrie Thielemann
Date Uncovered:	10/16/98

Description: During the case study period from August 27, 1998 to September 29, 1998, the procedures defined in the RCCC Methods and Procedures documentation were not consistently or reliably practiced for the samples selected. KPMG found that the coordinators logged and contacted the CLECs before the due date in only 7 of the 25 selected completed orders. (32 orders were sampled, 7 of them were not completed during the sampling period.) In more than half of the selected orders, the RCCC Coordinators failed to log and call the CLECs one-hour prior to FDT and post-cutover. The coordinators did not consistently log the activities and times associated with the key events in a hot-cut.

Documentation reviewed:

- RCCC Two Wire Analog Loop and Interim Number Portability, RCCC North, 8/15/98
- RCO-98-0016, ADSL, HDSL - Digital Unbundled Loops
- RCO-98-0022, RCCC Coordinator's Guide, Expanded Extended Loop
- RCO-98-0027, RCCC Coordinator's Guide, DS1 Unbundled Loop Service
- RCO-98-0028, RCCC Coordinator's Guide, Unbundled Basic Rate ISDN Loop Service
- RCO-98-0039, RCCC Unbundled DS3 Transport, North
- RCO-98-0040, RCC Unbundled DS1 Transport, North

Impact Assessment: Quality of service is compromised when documented procedures are not followed. The coordination process was developed to ensure that customers do not lose service in the conversion from Bell Atlantic to the CLEC. When the coordinators do not follow the process including timely notification and contact with the CLEC, confusion, delays, or disconnects in error can result.

For example, when the RCCC fails to contact a CLEC for a hot-cut order before the due date, the CLEC may not have a confirmed notification of the provisioning schedule. Consequently, the CLEC can not pass along order status to its customers, giving the impression of poor quality service by the CLEC. In addition, the CLEC has no opportunity to review order details, such as the cable and pair numbers, loop signaling, etc., with the Coordinator to ensure accuracy. This may result in errors during the hot-cut.

Status:	Open
Date Opened:	12/4/98

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ID:	44
Exception:	Migration of BA loops served by Integrated Subscriber Loop Carrier (SLC) systems to CLECs is not possible
Domain:	POP
Owner:	Steve Sesko
Date Uncovered:	3/15/99

Description:

An exception has been identified as a result of the ongoing POP CLEC testing process. The following exception relates to the inability of Bell Atlantic (BA) to migrate subscriber loops that are currently served by Integrated Subscriber Loop Carrier systems (integrated SLCs) to CLEC-provided service.

CLECs have occasion to deal with BA customers who are willing to change their local service provider to a given CLEC as long as they can keep their existing telephone number and can have a seamless transition to their new carrier. The most common process that CLECs employ to "migrate" a customer to this type of arrangement is to place an order with BA to perform a UNE-loop with Local Number Portablity (LNP) Hot Cut. Under this scenario, BA will port the subscriber's telephone number, and will work at the Main Distribution Frame (MDF) to disconnect the BA switch from the subscriber's loop and connect the CLEC switch to that same subscriber loop. These actions are designed to be performed in a coordinated manner with testing of the customer's service before and after the "LNP Hot Cut."

With regard to testing, BA claims to perform a Pre-Test of the customer's service. This test is designed to take place 48 hours prior to the scheduled LNP Hot Cut and uncover conditions potentially detrimental to the success of the LNP Hot Cut. Such detrimental conditions include, for example, the subscriber's service being provided over Integrated SLC. If this condition is uncovered 48 hours prior to the scheduled cut, it would allow BA and the CLEC sufficient time to react in a coordinated manner.[1]

In current practice, Pre-Testing is generally not conducted and the attempt to perform an LNP Hot Cut on a BA customer being serviced over an Integrated SLC is generally never successfully completed. This usually causes the CLEC undue inconvenience and frequently leads to customer outages. These circumstances are all due to a lack of Pre-Testing on the part of BA. In many cases, the Integrated SLC is discovered at the time of the LNP Hot Cut at which point BA

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[1]   The Pre-Filing Statement of Bell Atlantic-New York (4/6/99, page 26) states that "If an existing Bell Atlantic-NY customer chooses to take service from a CLEC and the CLEC wants to use the existing Bell Atlantic-NY equipment and facilities as separate UNEs, Bell Atlantic-NY will make every effort to reuse elements of those existing facilities to the extent they meet CLEC order specifications. At this time, this is not possible when a CLEC orders a loop to serve a customer that Bell Atlantic-NY currently serves using Integrated Subscriber Loop Carrier. In such a case, Bell Atlantic-NY will assign other existing plant or provide new facilities (consistent with the terms in the CLEC's interconnection agreement) to provide UNE service. A change to other existing plant to provide this CLEC service will have no impact on the Public Service Commission-established interval."

advises CLEC it has no option other than to cancel the order and inform the customer that it must stay with BA. In some cases, BA may have processed their switch translations orders and ported the customer's telephone number(s) prior to the cancellation of the original order. This could potentially disconnect the customer's line from any type of telephone service.

Impact Assessment: CLECs have experienced delays of several days before the type of trouble described in this exception is cleared and the customer's service is restored with BA as the carrier. At this point the CLEC has lost its customer and its reputation as a capable CLEC is potentially damaged with the customer.

Status: Open

Date Opened: 3/16/99

In the Matter of	)	
	)	
Implementation of the Local Competition	)	CC Docket No. 96-98
Provisions in the Telecommunications	)	
Act of 1996	)	
	)	
Interconnection between ILEC	)	CC Docket No. 95-185
Carriers and Commercial Mobile Radio	)	
Service Providers.	)	

DECLARATION OF
KEN BASEMAN, RICK WARREN-BOULTON AND SUSAN WOODWARD
IN RESPONSE TO
SECOND FURTHER NOTICE OF PROPOSED RULEMAKING

INTRODUCTION

1.   In the Supreme Court's January 1999 decision in *AT&T Corp. v. Iowa Utilities Board*, in which the Court upheld all but one of the Federal Communication Commissions local competition rules that had been challenged before the United States Court of Appeals for the Eighth Circuit, the Court requested that the FCC give further consideration to the necessary and impair standards of Section 251(d)(2) of the Telecommunications Act of 1996. The Commission now seeks comments in this Second Further Notice of Proposed Rulemaking on how the unbundling obligations of the Act can best facilitate the efficient creation and use of telecommunications services. We have been asked by MCI WorldCom to analyze how the Commission's unbundling standards are likely to affect efficiency in the US telecommunications industry and to respond to certain arguments in the affidavits provided by Hausman & Sidak (H&S) and by Jorde, Sidak, & Teece (JS&T).

2.   The economics of the special features of telecommunications compels us to conclude that efficiency in this setting, a setting with substantial economies of connectivity and scale over at least the initial range of outputs for an entrant, requires the availability of incumbent local

exchange carrier (aka ILEC) facilities to the ILEC's competitors (aka CLECs) at TELRIC pricing wherever lack of access would impair the CLECs' ability to offer local services competitively.

3.   In particular, we reach the following conclusions:

4.   We reject the argument that the unbundling of network elements and mandating of their availability at TELRIC will undermine the incentives of ILECs or CLECs to invest and innovate. As with any threatened monopoly, the average rate of return on ILECs' extant assets will fall if CLECs can access network elements at TELRIC prices. But the marginal rate of return on additional investment will rise, as they are forced to compete. Essentially, we do not expect the ILECs to roll over and play dead in response to competition and to increased demand for their network elements (at prices above marginal cost!), but to respond to that increased demand by investing, for the simple reason that they are better off investing than not. Making the unbundled network elements available at TELRIC will not impair investment or innovation. Their availability is necessary for efficient use of telecommunication facilities.

5.   We also reject the argument that an option value premium must be tacked on to TELRIC to compensate the ILECs for the possibility that their competitors may or may not choose to use their network elements at TELRIC. On the contrary, allowing access at TELRIC, by assuring that the ILEC's network will be used (and paid for) by its ultimate customers, regardless of whether they are direct or indirect customers, whenever that is efficient, actually *lowers the risk* for the ILECs. As compared to the scenario where the ILEC risks losing its customers to a CLEC with completely independent network facilities, allowing access at TELRIC can be expected to result in higher capacity utilization rates on ILEC facilities, lowering the unit cost of capital by lowering the capital requirement per unit, and potentially lowering the financial cost of capital to the ILEC as well.

6.   We also believe that the Commission need not concern itself overly with deciding for what network elements sharing is efficient and consequently what elements it must force the ILECs to share. The network elements that are efficient to share are those with substantial economies of scale and/or connectivity. If the elements are priced at TELRIC, CLECs will choose to buy them only if indeed these economies are present. Thus, CLEC "exercise of the option" to use the elements both demonstrates that these economies are present and that sharing is efficient, and also that risk to the ILECs is reduced, not increased, by sharing. The Commission may safely require access to *all* of the elements, confident that only those for which substantial scale and/or connectivity economies are present will in fact be shared.

QUALIFICATIONS

7.   Ken Baseman is a Principal with MiCRA (Microeconomic Consulting and Research Associates, Inc.), a Washington-based economics consulting and research firm specializing in antitrust litigation and regulatory matters. He received his graduate training in economics at Stanford University. He served as a senior economist in the Economic Policy Office of the Antitrust Division of the U.S. Department of Justice where, for over two years, he was a member of the Division's trial staff in US v. AT&T. He has been an economic consultant for fifteen years. His consulting assignments have focused primarily on competitive issues, both in antitrust and regulatory proceedings. His earlier professional papers dealt with entry and competition in a regulated industry with natural monopoly characteristics, and were published in the *American Economic Review* and by the National Bureau of Economic Research and the MIT Press. His more recent publications have focused on the use on non-linear pricing and technical incompatibility by dominant firms to preserve market power in the face of developing competition. He has consulted on telecommunications issues for the Department of Justice, MCI, AT&T, GCI, the National Cable Television Association, and WebCel Communications. A copy of his vitae is attached to this declaration.

8.   Dr. Frederick R. Warren-Boulton is a principal of MiCRA. Dr. Warren-Boulton holds a B.A. degree from Yale University, a Master of Public Affairs from the Woodrow Wilson School of Princeton University, and M.A. and Ph.D. degrees in Economics from Princeton University.

9.   From 1972 to 1983 Dr. Warren-Boulton was an Assistant and the Associate Professor of Economics at Washington University in St. Louis. From 1983 to 1989, he served as the chief economist for the Antitrust Division of the U.S. Department of Justice (DOJ), first as Director of its Economic Policy Office and then as Deputy Assistant Attorney General for Economic Analysis. Since leaving the government, he has served as a Resident Scholar at the American Enterprise Institute, a Visiting Lecturer of Public and International Affairs at the Woodrow Wilson School at Princeton University, and as a Research Associate Professor of Psychology at the American University.

10.   Dr. Warren-Boulton's area of specialization is in the economics of industrial organization. Dr. Warren-Boulton has authored numerous publications, primarily in the application of industrial organization economics to antitrust and regulation, including a number of papers that consider appropriate public policy toward regulated industries, including telecommunications. Dr. Warren-Boulton has served as an expert witness or consultant on a number of mergers and other antitrust matters, starting in 1981 as an expert witness for the DOJ in *U.S. v. AT&T* and, most recently, for the States and the DOJ in *United States of America v. Microsoft*. A complete description of Dr. Warren-Boulton's background and publications can be found in his Curriculum Vita, a copy of which is attached to this declaration.